

Drug Intelligence Brief



DRUG ENFORCEMENT ADMINISTRATION
INTELLIGENCE DIVISION

January 2001

MEXICO—COUNTRY PROFILE

DEA Office Responsible	Mexico City Country Office
Resident Offices	Ciudad Juarez Guadalajara Hermosillo Mazatlan Merida Monterrey Tijuana
Population	100,294,036 in July 1999
Area	1,972,550 square kilometers
Capital	Mexico City
Type of Government	Federal Republic operating under a centralized government

Mexican Top Government Officials

President	Vicente Fox-Quesada
Secretary of Government	Santiago Creel Miranda
Secretary of Defense	Gerardo Vega Garcia
Attorney General	Rafael Macedo de la Concha



Drug Seizures in Mexico 1995 - 2000

	1995	1996	1997	1998	1999	Jan.-Aug. 2000
Cocaine (metric tons)	22.1	23.6	34.9	22.6	33.5	16.5
Marijuana (metric tons)	780.2	1,015.0	1,038.0	1,459.0	1,459.0	1,105.4
Heroin (kilograms)	203.0	363.0	115.0	120.0	258.0	216.8
Methamphetamine (kilograms)	496.0	172.0	39.0	96.0	358.0	373.2

Southwest Border Seizures 1997 - 2000

	1997	1998	1999	Jan.-Sept. 2000
Cocaine (metric tons)	17.5	30.3	37.2	9.7
Marijuana (metric tons)	599.0	747.0	947.0	583.0
Heroin (kilograms)	182.0	202.0	219.0	85.3
Methamphetamine (kilograms)	504.0	807.0	1,054.0	743.0

DRUG THREAT/STATUS

Mexico faces an array of drug-related problems ranging from production and transshipment of illicit drugs to corruption and violence. Powerful and well-organized Mexican organizations control drug production and trafficking in and through Mexico, as well as the laundering of drug proceeds. These organizations also have made a concerted effort to corrupt and intimidate Mexican law enforcement and public officials. In addition, the geographic proximity of Mexico to the United States and the voluminous cross-border traffic between the countries provide ample opportunities for drug smugglers to deliver their illicit products to U.S. markets.

According to the U.S. Customs Service, in 1999, 295 million people, 88 million automobiles, and 4.5 million trucks and railroad cars entered the United States from Mexico through 38 official points of entry. With more than \$100 billion of legitimate commercial trade crossing the U.S. Southwest border each year, Mexico is the United States' second largest trading partner.

Mexico is a source country for heroin, marijuana, and methamphetamine available in the United States. Mexico also is a source country for pharmaceutical drugs, such as flunitrazepam (principal brand name Rohypnol), and anabolic steroids bound for the United States. Mexico continues to be the principal transit route for cocaine available in the United States; approximately 60 percent of the cocaine entering the United States is smuggled across the U.S. Southwest border. Currently, the Eastern Pacific Ocean corridor (EPAC) is the primary route used to smuggle cocaine to Mexico for further transshipment to the United States.

Drugs are smuggled into and through Mexico via every commercial and noncommercial transportation means available, including smuggling across the land border with Guatemala; concealing shipments in containerized maritime or air cargo; maritime smuggling using fishing vessels, go-fast boats, and motherships; smuggling by private aircraft to clandestine airstrips; and air drops to go-fast boats off Mexican coasts. Drugs then are moved to northern Mexico border areas for stockpiling and entry into the United States. Drugs are smuggled across the Southwest border by every means imaginable including in commercial and private vehicles, by body carry, in aircraft, on rafts, on horseback, and through tunnels.

Mexico's role in the cocaine trade increased in the mid-1990s when intense law enforcement pressure disrupted Cali Cartel operations in Colombia and the United States, and Cali leaders were imprisoned in Colombia. As a result of these enforcement operations, Colombian traffickers contracted with Mexican groups to assume a greater role in cocaine distribution within the United States. Mexican cocaine distribution organizations, once found only in the western and midwestern parts of the United States, are now active in a number of eastern U.S. locations, such as New York and New Jersey. Well versed in smuggling Mexican-produced heroin and marijuana into the United States, powerful Mexican-based trafficking organizations use those well-established trafficking routes to smuggle cocaine and methamphetamine. Mexico also is a conduit and repository for laundering drug profits generated in the United States.

DRUG TRAFFICKING TRENDS

COCAINE

There is no known cultivation of coca leaf in Mexico. Over the past 2 years, there have been increased reports of cocaine base being smuggled into Mexico for final processing into cocaine hydrochloride (HCl). The most recent documented seizure of a cocaine HCl laboratory occurred in February 2000, at a ranch near Hermosillo, Sonora, where 7 kilograms of cocaine were confiscated. Previous laboratory seizures in Mexico include:



Seized cocaine hydrochloride laboratory and chemical storage site
Ciudad Obregon, Sonora

- In December 1999, an abandoned laboratory along with chemicals and equipment was discovered at a ranch in Ciudad Juarez, Chihuahua.
- An operational laboratory was seized in July 1998 at a residence in Ciudad Obregon, Sonora. Authorities also seized 3 kilograms of cocaine, a small amount of precursor chemicals and glassware at this site.
- In December 1996, a ranch located near Hermosillo, Sonora, was the site of a large cocaine HCl laboratory seizure with an estimated production capacity of 1,500 kilograms. Weapons and the essential chemical acetone also were confiscated.

These incidents notwithstanding, reporting indicates that drug trafficking organizations have not made a concerted effort to relocate cocaine processing facilities to Mexico, nor have Mexican organizations undertaken a major effort to begin large-scale processing of cocaine HCl in Mexico. The vast majority of cocaine smuggled into and seized in Mexico continues to be cocaine HCl.

According to U.S. counterdrug assessments, Mexico is the transit point for 60 percent of the cocaine HCl entering the United States. Mexico has been a transit country for cocaine destined for the United States since the 1970s and the U.S. Southwest border has been the primary entry point for cocaine entering the United States since the late 1980s. Oftentimes, cocaine shipments are warehoused in border areas prior to being distributed in the United States. The predominance of Mexico as a transit route country is reflected in the consistently high volume of cocaine seized in Mexico and along the

U.S. Southwest border. Mexican Government authorities have reported the seizure of 16.5 metric tons of cocaine from January to August 2000. In 1999, approximately 33.5 metric tons of cocaine were seized in Mexico, compared to 22.6 metric tons in 1998 and 34.9 metric tons in 1997.

Traffickers use various routes and conveyances to smuggle cocaine from South America to Mexico. Currently, trafficker organizations prefer the use of go-fast boats, fishing vessels, and commercial ships to smuggle cocaine via the EPAC. Cooperative counterdrug efforts between Mexico and the United States resulted in a number of very large seizures in the EPAC over the past 2 years. For example:

- July 2000—Approximately 4.3 metric tons of cocaine were seized from the fishing vessel *TOP FLIGHT* off the coast of Sinaloa.
- April 2000—Approximately 2 metric tons of cocaine were seized from an abandoned go-fast boat off the coast of Baja California.
- March 2000—Approximately 2.4 metric tons of cocaine were seized from a go-fast boat near Acapulco, Guerrero.
- February 2000—4.7 metric tons of cocaine were confiscated from the fishing vessel *REBELDE* just south of Lazaro Cardenas, Michoacan.
- January 2000—3 metric tons of cocaine were seized from the Mexican-flagged fishing vessel *VALERIA* off the coast of Manzanillo, Colima.

DEA reporting and seizure activity indicates that the EPAC has been the preferred smuggling route since late 1998. Four multiton maritime seizures in the EPAC accounted for 75 percent of the cocaine seized by the Government of Mexico (GOM) in 1999:

- December—2.5 metric tons were seized from an abandoned *panga* (a small motorized boat).
- December—8.5 metric tons were seized from the fishing vessel *ALFONSO MD II*.
- August—9.5 metric tons of cocaine were discovered in fuel tanks on the fishing vessel *XOLOESUINTE* off the coast of Manzanillo.
- June—Approximately 6 metric tons were seized from the fishing vessel *MAZATLAN IV* near the State of Chiapas

Markings on packages of cocaine seized from vessels in this corridor have been similar to packages seized in the Southwest border area during 1999. Trafficking organizations are believed to prefer the eastern Pacific maritime smuggling route because of the vastness of the area, which has no natural chokepoints as does the Caribbean. In addition, enforcement initiatives in the Yucatan Peninsula in 1998-1999 against major Mexican trafficker Alices Ramon Magna, as well as enhanced legislative and interdiction efforts in Central America, have resulted in trafficking organizations' increased reliance on maritime smuggling.

The popularity of this smuggling route is reflected by the huge quantities of cocaine seized in this corridor. From January through October 2000, an estimated 70 metric tons of cocaine were seized or scuttled in the Eastern Pacific corridor. By comparison, 32 tons were seized in this corridor in 1998. During this same timeframe (January through October 2000), cocaine seizures in both Mexico and along the U.S. Southwest border were less than 1999 levels, probably because authorities were seizing the cocaine prior to its arrival in Mexico. Prior to the shift to the EPAC, the Yucatan Peninsula corridor was the primary route used by traffickers to smuggle cocaine from South America into Mexico.

Traffickers use tractor-trailers, passenger vehicles, and railcars to transport cocaine via overland routes. The Pan-American Highway serves as a smuggling route for trucks and passenger vehicles transporting cocaine from Guatemala to Mexico.

Highway interdiction efforts along the Pan-American Highway resulted in a record seizure of 2.5 metric tons of cocaine from three tractor-trailers in Guatemala in March 1999. Vehicles either are outfitted with hidden compartments to conceal cocaine, or illicit drugs are intermingled with legitimate cargo transported by trucks and railcars.

Drug interdiction checkpoints are positioned at border crossings and along major highways to intercept vehicles smuggling drugs. Three tons of cocaine were seized from three trucks near the border between Michoacan and Colima during July 1999.



Fishing vessel *REBELDE*



Fishing vessel *TOP FLIGHT*



Fishing vessel *XOLOESCUINTLE*

Cocaine is frequently transported by vehicle through Mexico to northern border locations for further transshipment into the United States. In January 2000, approximately 600 kilograms of cocaine were confiscated from a truck near the Ciudad Juarez border. A traffic stop near Galeana, Nuevo Leon, Mexico, netted 1 metric ton of cocaine concealed in the roof panels of a truck in April 1999. The daily high volume of truck and passenger car traffic crossing the Mexican–U.S. Southwest border facilitates the smuggling of cocaine by vehicles to U.S. border cities. Daily pedestrian traffic crossing the border also accounts for small quantities of cocaine entering the United States.

There have been occasional reports of cocaine smuggling via railway from Mexico to the United States, but the extent to which railways are used to transport drugs is unknown. There were two cocaine seizures from railcars in April and May 2000 in Empalme, Sonora. In both seizure incidents, the train was en route to Mexicali, Baja California. The first significant seizure of cocaine related to a rail crossing from Mexico into the United States occurred in July 1997 at a warehouse in Ridgefield Park, New Jersey. Approximately 1 metric ton of cocaine was hidden in an electrical transformer transported via rail from Monterrey, Nuevo Leon, to San Antonio, Texas, then trucked to New Jersey. Another railway-related seizure occurred in April 1998, when 32 kilograms of cocaine, commingled with 3.3 metric tons of marijuana, were discovered in a tanker car in Riverside, California.

Small aircraft were the primary conveyances used to transport cocaine from Colombia to and within Mexico in the 1980s and early 1990s, and continue to be a viable mode of moving drugs to clandestine landing strips in Mexico. Although on a much smaller scale than was previously used, there are occasional reports of air smuggling of cocaine in Mexico. Recent DEA reporting indicated an air delivery of 350 kilograms of cocaine was intercepted en route from Colombia to Mexico in February 2000. Sporadic airdrops off the coast of the Yucatan Peninsula also are reported. In addition, commercial airline passengers body carry cocaine or smuggle small amounts of the drug concealed in luggage.

The price of a kilogram of cocaine in Mexico varies according to the location, distributor, and trafficker. DEA reporting indicates 1 kilogram of cocaine sells for between US\$5,000 and US\$6,000.

ROLE OF TRAFFICKING ORGANIZATIONS

The power and influence of Mexican drug trafficking organizations in the international cocaine trade have increased considerably over the last decade. During the 1980s, dominant Colombian trafficking organizations controlled the cocaine industry at the source and distribution ends of the spectrum, relying on Mexican organizations solely for transport through Mexico. However, following intense law enforcement pressure that disrupted Cali Cartel operations in the United States and Colombia in 1995-1996, Colombian traffickers began contracting with Mexican groups to assume a greater role in transporting and distributing cocaine within the United States. Mexican organizations now have a major share of the wholesale cocaine market in the United States, directly controlling the wholesale distribution of cocaine throughout the western and mid-western portions of the United States. Chicago and Los Angeles are the primary command and control centers for Mexican drug trafficking organizations in the United States. In addition, over the past several years, Mexican groups have worked towards establishing themselves in the eastern United States as transporters for Colombian organizations. In some cases, Mexican transportation organizations are now transporting shipments from Mexico all the way to New York.

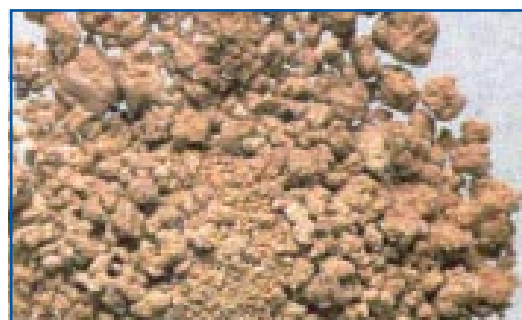
The most prominent Mexican drug transportation and distribution organizations that impact the United States are the Arellano-Felix organization (AFO), the Armando Valencia organization, and remnants of the Carrillo-Fuentes organization (CFO). Following the death of its leader, Amado Carrillo-Fuentes in 1997, the CFO split into separate factions headed by Amado's brother Vicente Carrillo-Fuentes, Juan Esparragosa-Moreno, Ismael Zambada-Garcia, and Alcides Ramon-Magana.

HEROIN

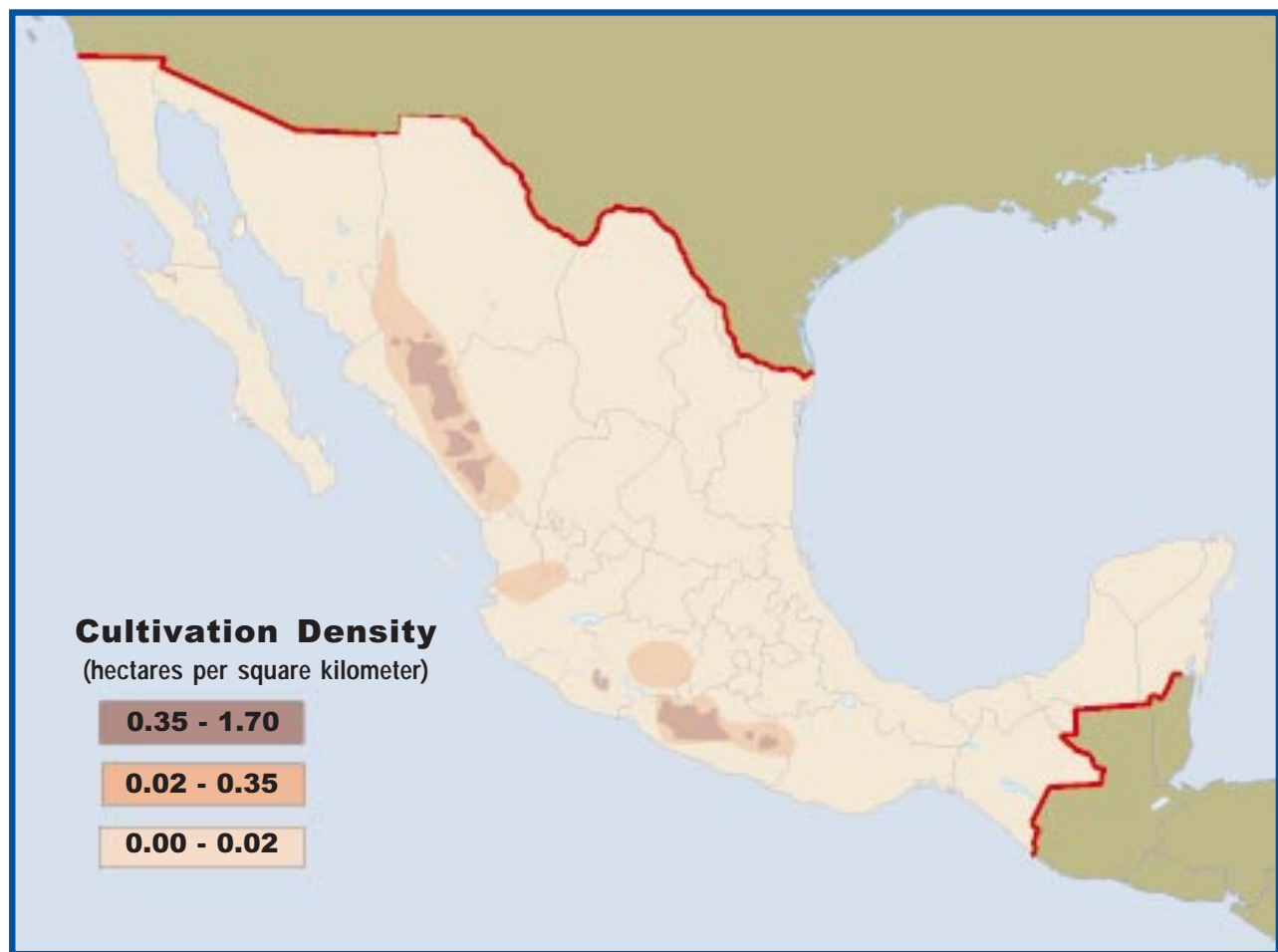
About 2 percent of the world's opium is produced in Mexico, primarily in the western half from the northern States of Sonora and Chihuahua, south to Oaxaca. Nearly all of the harvested crop is converted into heroin and shipped to the United States. While Mexican heroin traditionally dominated the western half of the United States, it recently has appeared in rare occasions in the Northeast and Atlanta, Georgia. The widespread availability of Mexican "black tar" heroin in the United States was confirmed by Operation TAR PIT, a DEA investigation that targeted a heroin trafficking organization based in Nayarit, Mexico. This organization imported and distributed Mexican black tar heroin in 22 cities and 21 states in the United States, including the city of Atlanta and the states of Hawaii, Alaska, and New Jersey. After a year-long investigation that concluded on June 15, 2000, authorities dismantled the Nayarit organization, arrested over 247 individuals and seized 29 kilograms of Mexican heroin.



Black Tar heroin



Brown heroin



Opium Poppy cultivation areas

The GOM does not produce estimates of opium poppy cultivation, however, the U.S. Government (USG) estimates of opium drug crop production in Mexico during the past 3 years indicate yields of from 4 to 6 metric tons of heroin annually. In 1999, a spring drought led to a 17-percent decline in the opium poppy crop for the year. The USG estimates that Mexico's net opium drug crop production in 1999 was 43 metric tons of opium gum compared to 60 metric tons in 1998 and 46 metric tons in 1997. In the spring of 2000, drought conditions again significantly reduced the Mexican opium poppy crop, particularly in the northern and central Pacific Coast states. The cumulative impact of 2 years of drought should decrease the 2001 crop and potential heroin production. During the past 5 years, opium poppy production has fluctuated roughly between 3,600 and 5,000 hectares of net cultivation. The GOM conducts opium poppy eradication operations using aerial and manual methods, annually destroying roughly 75 percent of the crop. During 1999, approximately 7,900 hectares of opium poppy were eradicated, down from 9,500 in 1998 and 8,000 in 1997.

Heroin processing is concentrated in the Mexican States of Michoacan, Guerrero, Sinaloa, Durango, and Nayarit. Essential chemicals used in heroin production are available readily in Mexico or are imported from the United States. The average heroin laboratory can process from 3 to 5 kilograms of black tar or brown heroin per day, with black tar predominating. Finished heroin is smuggled into the United States usually within 72 hours after processing. Guatemalan-produced opium gum also is processed into heroin in Mexico. In 1999, two heroin laboratories were seized by the GOM.

Two heroin laboratories seized in Durango, Mexico, during 1997 and 1998, revealed that Colombian chemists had been working with Mexican drug trafficking organizations in an effort to produce Mexican white heroin. Over the past year, DEA has become aware of several instances of Mexican drug traffickers selling a white heroin product, referred to as "China White," along the Southwest border and in areas around Chicago. Mexican traffickers claim that white heroin is produced in Mexico using Mexican opium gum and Colombian heroin processing methods.

Mexican heroin typically is smuggled into the United States via overland routes with individual couriers transporting between 2 and 5 kilograms of heroin through POEs along the Southwest border in private or commercial vehicles, or 1 to 2 kilograms on their person. Recent reporting indicates that unusually large heroin seizures have occurred along the Southwest border. For instance, on May 17, 2000, Mexican authorities seized 30 kilograms of Mexican heroin concealed in a passenger vehicle. The heroin had been secreted in the vehicle in Michoacan, Mexico, and was destined for Los Angeles, California. Intelligence information revealed that the driver had made three prior deliveries of heroin using the same method of transportation.

Despite recently decreased opium production, the amount of Mexican heroin seized in Mexico in 1999 actually increased significantly over previous years. Approximately 260 kilograms of heroin were seized in 1999 compared to 120 kilograms in 1998, and 115 kilograms in 1997. Moreover, DEA offices along the Southwest border indicate that Mexican heroin is available readily. The amount of heroin seized in the United States along the Southwest border also increased in 1999 compared to previous years (219 kilograms seized in 1999, 202 kilograms seized in 1998, and 182 kilograms seized in 1997).

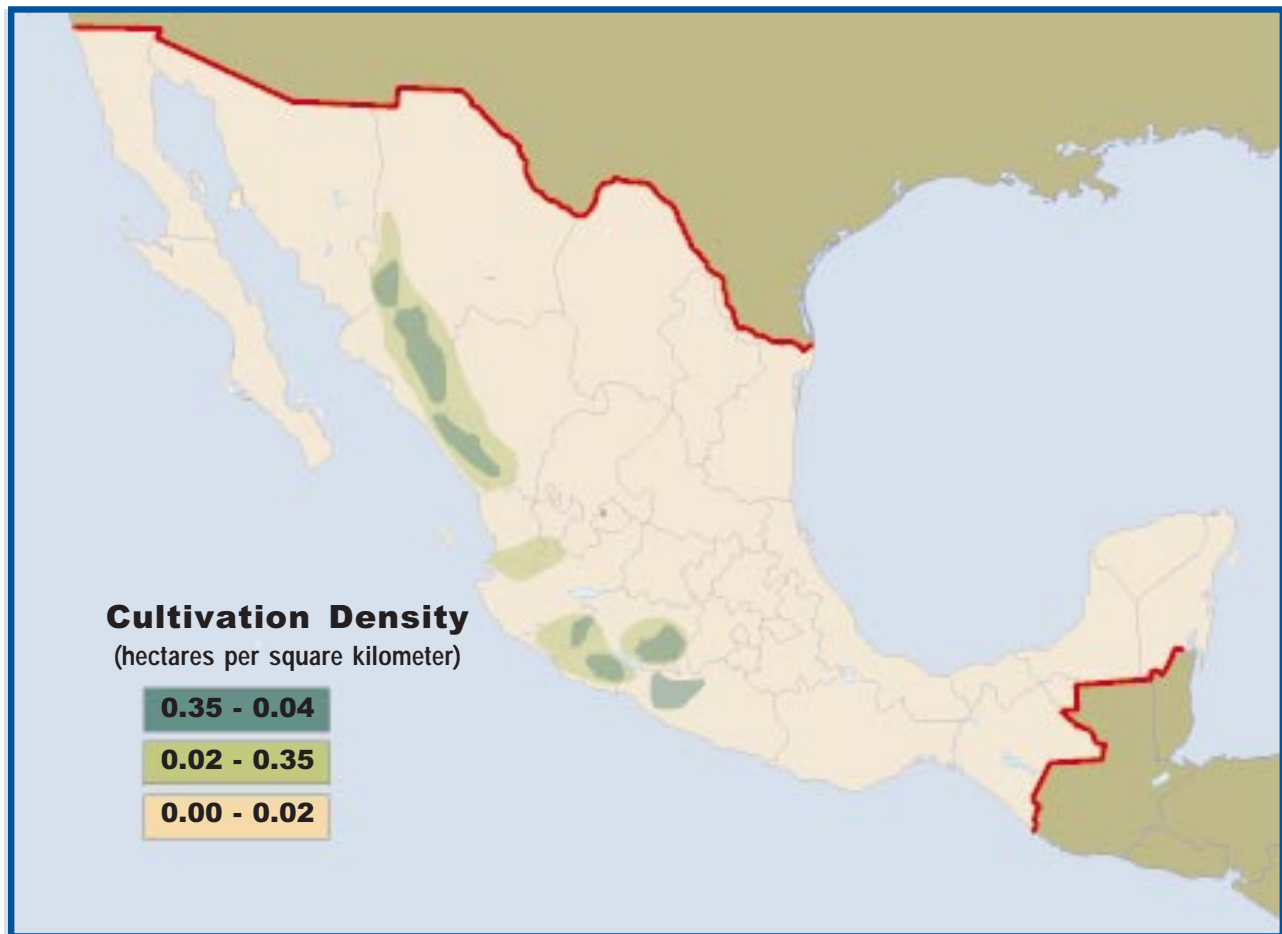
Couriers also smuggle South American heroin to the United States via Mexico and periodically are arrested in Mexico City or at the United States–Mexico border. For example, on October 11, 1999, Mexican law enforcement authorities arrested a Colombian national at the Mexico City airport. The suspect arrived in Mexico City from Bogota, Colombia, and was in possession of a suitcase containing 4 kilograms of white heroin. On occasion, Mexico also is used as a transit country for Southeast and Southwest Asian heroin destined to the United States.

MARIJUANA

Mexico is the primary foreign supplier of marijuana to the United States. Cannabis is cultivated in small fields in remote areas of every state in Mexico, with the heaviest concentration in the western states. The average yield of a cannabis plant depends on weather conditions and agricultural techniques employed, such as irrigation.

Aerial and manual eradication of cannabis is conducted by the Mexican Navy, Army, and the Office of the Attorney General (PGR). The GOM eradication program is one of the largest and most sophisticated in the world and has destroyed an average of 59 percent of the total estimated cannabis cultivation for the past 5 years. In 1999, the GOM eradicated about 33,583 hectares of cannabis (increased from 23,928 in 1998 and 23,576 in 1997). Net production of marijuana declined significantly in 1999 compared to previous years; due in part, to increased eradication levels. An estimated 6,700 metric tons of marijuana were produced in 1999, compared to 8,300 metric tons in 1998 and 8,600 metric tons in 1997.

Traffickers smuggle marijuana primarily via land route, and to a lesser extent by air and maritime conveyances, to staging areas along the Mexican border for eventual smuggling into the United States. More multiton seizures are made from tractor-trailers with false compartments or with contraband com-



Cannabis cultivation areas

mingled with legitimate products than from any other overland conveyances. For example, interdiction checkpoints positioned throughout the state of Sinaloa resulted in several significant seizures of marijuana during the year 2000. Approximately 6.6 metric tons of marijuana were seized in July; 4 metric tons were seized in March; and 2.2 metric tons were confiscated in January 2000. The trucks were en route to Tijuana, Baja California. Nayarit was the site of a 6.7-metric-ton seizure in March; and 5.9 metric tons were seized from a hidden compartment of a truck in Reynosa, Tamaulipas, in January.

The amount of marijuana seized along the U.S. Southwest border has increased steadily over the past 3 years despite decreased production of marijuana in Mexico. In 1999, U.S. authorities seized 946.8 metric tons of marijuana, compared to 747 metric tons in 1998 and 599 metric tons in 1997.

In April 2000, an investigation revealed Mexican marijuana organizations were working in conjunction with Jamaican traffickers in the United States. A large-scale Jamaican marijuana trafficking/smuggling group that had numerous distribution cells throughout the United States had as its primary marijuana source of supply Mexican-based traffickers with ties to the AFO. Mexican traffickers managed the importation of the marijuana into the United States at which time the marijuana was turned over to Jamaican traffickers for distribution within the United States.

METHAMPHETAMINE

The majority of methamphetamine available in the United States is produced by Mexican and Mexican-American traffickers operating in the United States or in Mexico. Traffickers operating clandestine laboratories in Mexico obtain precursor and essential chemicals used to manufacture methamphetamine,

ephedrine, pseudoephedrine, and phenylpropanolamine (PPA) from pharmaceutical and chemical manufacturing and trading companies that produce or import chemicals. Mexico has been an entry point for chemicals shipped from Europe and Asia for use in methamphetamine production in Mexico and the United States, particularly in central and southern California. U.S.-based chemical traffickers supply methamphetamine laboratory operators with necessary precursors, diverting pseudoephedrine from pharmaceutical retailers or obtaining it through over-the-counter purchases. The GOM reported seizing 12 methamphetamine laboratories in 1999 compared to 5 in 1998 and 2 in 1997. A laboratory dismantled in Culiacan, Sinaloa, in November 1999 resulted in the seizure of 660 kilograms of layered methamphetamine solution, 28 kilograms of methamphetamine paste, 58 kilograms of ephedrine powder, as well as solvents and glassware. The size and quantity of the heating mantels indicated that the laboratory was capable of producing multihundred-kilogram amounts of methamphetamine.

During 2000, Mexican authorities made several seizures of finished methamphetamine and laboratories. The largest seizure of finished methamphetamine occurred on August 24, 2000, in Sinaloa, when Mexican authorities seized 140 kilograms from the luggage compartment of a bus. The bus was en route from Puerto Vallarta to Tijuana. The methamphetamine was hidden in boxes of bottled water; also concealed in the package was 17 kilograms of cocaine and 500 grams of heroin. Other significant methamphetamine seizures included 38.8 kilograms seized from a vehicle in Mexicali, on February 19, 2000; and 19.5 kilograms seized from a vehicle at the Ahome, Sinaloa police checkpoint on May 13, 2000. The largest seizures of finished methamphetamine from laboratories included 5.6 kilograms seized from a laboratory in Sonora during February 2000, and 14.5 kilograms seized from a laboratory in Tuzantla, Michoacan, on March 29, 2000.

Mexican drug trafficking organizations operating out of Mexico and California began to dominate the production and distribution of methamphetamine in the United States around 1994, following years of control by independent, regional outlaw motorcycle gangs and supplemented by numerous independent, smaller-scale producers. Mexican organizations gained a foothold in the U.S. market by initially offering inexpensive yet high-purity methamphetamine, and now produce the majority of the methamphetamine available in the United States, using large-scale laboratories based in Mexico and the southwestern United States. DEA estimates that Mexican trafficking groups control 70 to 90 percent of the supply of methamphetamine in the United States. Outlaw motorcycle gangs and small independent producers still are active in domestic methamphetamine production, but not on the same scale as the Mexican traffickers.

The amount of methamphetamine seized in Mexico has increased significantly since 1997. In 1999, 358 kilograms of methamphetamine were confiscated by Mexican authorities, compared to 96 kilograms in 1998 and 39 kilograms in 1997. Methamphetamine seizures along the Southwest border also have increased significantly since 1997. In 1999, 1,054 kilograms of methamphetamine were seized, compared to 807 kilograms in 1998 and 504 kilograms in 1997.

Seizures of ephedrine and pseudoephedrine in Mexico also increased significantly in 1999, compared to previous years. In 1999, 712 kilograms were seized compared to 340 kilograms in 1998 and 600 kilograms in 1997.

CHEMICALS

Many of the chemicals necessary for the clandestine manufacture of illicit drugs are available in Mexico. Precursor and essential chemicals are imported from the United States, Europe, and Asia for use in the pharmaceutical and chemical industries, and are diverted to clandestine laboratories.

In the mid-1990s, DEA promoted international controls with chemical-producing nations that severely diminished open market availability of ephedrine. As those controls began to take effect, Mexican methamphetamine traffickers exploited loopholes in U.S. chemical control laws by purchasing large amounts of pseudoephedrine drug products from U.S. firms that were then exempt from U.S. regulations. Thus, as a result of U.S. chemical controls, a “gray market” supply was created. When supplies of U.S. marketed pseudoephedrine tightened, Mexican methamphetamine traffickers diversified their operation by purchasing PPA to make amphetamine. Seizures of pseudoephedrine-combination products have risen in Mexico over the past 2 years.

In the early to mid-1990s, Mexican organizations had ready access to precursor chemicals on the international market. These chemicals had fewer controls in Mexico and overseas than in the United States. Mexican organizations developed a network of connections with chemical suppliers in Europe, Asia, and the Far East, and were able to obtain ton-quantities of the necessary precursor chemicals, specifically ephedrine, pseudoephedrine, and PPA.

Mexican organizations have continued to obtain their precursors internationally, including from the United States, stockpiling them for use in laboratories in Mexico and the United States. In the United States, approximately 200 rogue pharmaceutical supply houses and distributors are being investigated for distributing many millions of tablets (representing tons of precursors) to Mexico. None of the Mexican recipients of these tablets were legitimate commercial pharmaceutical enterprises; rather, the tablets were destined for illicit methamphetamine manufacture.

The GOM passed legislation and instituted controls on chemicals used to manufacture illicit drugs. The Mexican Penal Code was modified in May 1996 to make trafficking in chemicals used in drug production a criminal offense and mandated forfeiture of proceeds derived from chemical diversion. The Mexican Congress passed the Federal Law for Control of Precursor Chemicals, Essential Chemicals, and Machinery for Fabrication of Capsules or Tablets in December 1997. This law established controls on precursors and essential chemicals as prescribed by the 1988 UN Convention Against Illicit Drug Trafficking and controls on machinery used to fabricate capsules and tablets.

Mexico also is an important transshipment country for List II, or essential chemicals, used in the manufacture of cocaine and heroin. These chemicals are manufactured in the United States, Asia, and Europe, and are diverted to clandestine laboratories throughout Latin America. The diversion of chemicals is facilitated by both legitimate and nonexistent Mexican firms misrepresented as consignees of List I and List II chemical shipments that exceed legitimate national needs.

OTHER DRUGS

Mexico is a source country for illicit steroids, veterinary products, and pharmaceuticals, such as Rohypnol and Valium, destined for the United States. Mexico also is increasingly being used as a transit country for methylenedioxymethamphetamine (MDMA, also referred to as Ecstasy) destined for the United States.

MONEY LAUNDERING

Mexico continues to be one of the primary money laundering centers in Latin America. The massive volume of legitimate trade and traffic between the United States and Mexico enables Mexico to be a major transshipment point for bulk currency, as well as narcotics. In addition, corruption within the

Mexican political, judicial, military, and law enforcement sectors, combined with a sophisticated Mexican financial sector, has made disguising and moving drug proceeds within Mexico relatively simple and safe.

Legislation

In an effort to combat drug trafficking and money laundering organizations in Mexico, the GOM has passed legislation to address money laundering issues. The following is a synopsis of significant legislative measures that the GOM has passed and implemented.

- On April 29, 1996, the GOM enacted a law that for the first time criminalized money laundering. The anti-money laundering provision of the GOM Organized Crime Legislation (OCL) is significant in that it criminalizes money laundering under the penal code, as opposed to the fiscal code. The crime either carries penalties of from 5 to 15 years incarceration, or more if the convicted individual is a public official. The same penalties are applied to bank employees who facilitate money laundering.
- In November 1996, legislation was passed in Mexico to authorize the seizure of assets involved in any illicit activity under the GOM OCL. Additionally, banks in Mexico involved in money laundering operations will be sanctioned with fines, have their licenses revoked, or have their operations temporarily suspended, under the new law. In May 1999, the Mexican Congress passed the Asset Seizure and Sharing Law. This law provided the legal groundwork for the retention and distribution of seized criminal assets.
- On March 10, 1997, the Mexican Secretariat of the Treasury established regulations that mandated the reporting of currency transactions in excess of the peso equivalent of US\$10,000 or the foreign equivalent, reporting of suspicious transactions, and retaining customer identification when opening accounts and engaging in financial transactions. These regulations apply to banks and other credit institutions, money exchanges (*casas de cambio*), and stock and brokerage firms. The GOM does have a customs regulation requiring persons arriving in, but not departing from, Mexico to declare currency and checks in their possession in excess of the peso equivalent to US\$20,000 or the foreign equivalent. The reporting threshold was US\$10,000, but was increased to US\$20,000 in January 1999.

Law Enforcement Efforts

Despite the implementation of money laundering legislation, and Mexican law enforcement efforts, drug trafficking syndicates continue to use the Mexican financial system to launder drug proceeds with little difficulty. There have been very few successful convictions for money laundering. The most notable conviction occurred in 1998, when Bitar Tafich, one of the primary money launderers for the AFO, was convicted on money laundering charges. In addition, during 1998, former Mexican Federal Judicial Police Director Adrian Carrera-Fuentes pled guilty to money laundering charges as part of a plea agreement. The GOM indicated that one money laundering conviction was obtained during 1999, but no details have been forthcoming. More frequently, charges for money laundering in high profile cases result in charges being dropped or successfully defended. For example, on May 19, 1999, a judge released Adan Amezcua from illicit enrichment charges (money laundering) due to insufficient evidence. As a result of his actions in this case, the judge was subsequently found guilty of malfeasance, was stripped of his title, and will not be able to hold public office for 10 years. In its decision, the Council of Federal Judiciary stated that the judge's action was "unacceptable and inexplicable."

The most recent money seizure statistics provided by the GOM indicated that seizures increased from US\$3.2 million in 1997 to US\$8.5 million in 1998.

Money Laundering Methods

Bulk shipment continues to be the most popular money movement method used by drug traffickers based in Mexico. U.S. currency is concealed and transported by courier or cargo, either overland or by air. Money often travels in the same vehicle or plane that originally transported illicit drugs into the United States. The concealment methods used by drug traffickers are often difficult, if not impossible to detect, and are constantly changing. For example, examination of seized vehicles has revealed that traffickers are removing the passenger side airbags leaving spacious empty compartments with no external signs of tampering. The compartments can only be accessed by using a special tool to remove bolts in the top of the glove compartment. In addition, air bags are found in newer model vehicles, which do not fit the typical profile for vehicles carrying drugs and bulk cash.

A portion of the bulk cash that is smuggled into Mexico from the United States is then further moved to Colombia and Panama on both commercial and private aircraft. This trend is supported by currency seizures at the Benito Juarez International Airport, Mexico City, Mexico. Statistics for the period August 22, 1998, through July 27, 1999, indicate that the Mexican Special Prosecutor's Office of Crimes Against Health (FEADS) Airport unit made 36 currency seizures totaling US\$5,623,822. The destinations for 30 of the seizures totaling US\$5,099,262 were either Cali, Bogota, or Medellin, Colombia. Furthermore, the Panama Country Office reported that on February 19, 1999, US\$1.7 million was seized by a Panamanian Customs Unit at Tocumen International Airport, Panama City, Panama. The currency had been hidden in industrial equipment that was shipped from Mexico.

U.S. law enforcement officials also believe that a significant volume of drug proceeds are being sent to Mexico through U.S.-based money service businesses. Money service businesses include: money transmitters, currency exchangers, check cashers, and sellers and redeemers of travelers checks and money orders. Of particular concern is the use of money transmitters by drug trafficking organizations. The legitimate purpose for this type of business is primarily to enable Mexican immigrants working in the United States to wire small amounts of U.S. dollars to relatives in Mexico. However, in the past, these businesses have operated with little or no controls. As a result, drug trafficking organizations have used money transmitters to deposit drug proceeds, and then wire the funds to accounts in Mexico and/or Colombia.

The Mexican financial sector also has been a convenient facilitator for drug money movement. Once drug cash is absorbed into the financial system, either through banks, *casas de cambios*, or businesses, the money can be transferred virtually anywhere in the world. Of particular concern to counternarcotics agencies is the proliferation of *centros cambiarios*, which are currency exchange centers. These exchange centers are especially prevalent along the U.S.–Mexican border where many small businesses, such as gas stations, have set up exchange centers as side businesses. Since they are not considered financial institutions, they are not required to file Suspicious Activity Reports (SARs) or Currency Transaction Reports (CTRs). The *casas de cambios* and banks offer other services, such as wire transfers.

Outlook

Despite the implementation of the Organized Crime Anti-Money Laundering Legislation and Mexican law enforcement efforts, money laundering activity by Mexican traffickers continues to be of serious

concern. These trafficking syndicates continue to use the Mexican financial system freely to launder their drug proceeds, and also use the financial institutions in the United States and elsewhere to funnel their drug proceeds back to cartel leaders in Mexico.

The GOM has had limited success in prosecuting money laundering cases, and has been unable to retain any seized property. Many cases seem to linger without final judicial disposition regarding forfeiture action. In addition, it is not uncommon for money laundering charges to be dropped during the judicial process, such as in the case of Adan Amezcua. Mexican judicial authorities may still be attempting to understand, interpret, and apply the new legislation. Lastly, it is important that mechanisms be implemented which will enable the free flow of financial information between U.S. and Mexican law enforcement agencies.

COUNTERDRUG ENFORCEMENT

The Mexican Attorney General's Office (PGR) is responsible for investigating and prosecuting all federal crimes in Mexico, including drug crimes. In May 1997, corruption problems within the National Institute to Combat Drugs (INCD), led to the creation by the GOM of the FEADS, to oversee counterdrug efforts for the PGR. The FEADS is the primary counterpart of DEA in Mexico. As part of a plan to reform law enforcement and justice entities, President Vicente Fox's administration has indicated that it will seek to streamline prosecutorial and investigative responsibilities of the PGR.

The Bilateral Task Forces (BTFs), which fall under the FEADS, were created in 1996 to ensure daily liaison between U.S. and Mexican law enforcement agents working on the Southwest border. There are currently 10 BTFs charged with the responsibility for combating the largest criminal syndicates in Mexico. The DEA has provided extensive training and equipment to the BTFs. The Organized Crime Unit (OCU) is housed under the PGR and is responsible for investigating and prosecuting members of organized crime groups who commit federal crimes.

The Center for Planning and Drug Control (CENDRO), an EPIC-styled intelligence and detection monitoring interdiction center, also is located in the PGR and works with the DEA on tactical air and maritime operations.

The Federal Preventive Police (PFP), created in early 1999, is a quasi-law enforcement/ intelligence agency that is responsible for preventing crime, including drug-related crimes committed by organized crime syndicates in Mexico. Soon after taking office in December 2000, President Fox transferred the PFP from the Secretary of Government to the newly-established Secretariat of Public Safety.

VIOLENCE

Violence in Mexico continues to be commonplace among drug traffickers and increasingly has affected the lives of innocent Mexican citizens. Incidences of violence in the past typically were rooted in the rivalries of drug trafficking organizations and were manifested as retaliatory killings of individual targets.

Since 1997, there has been a notable escalation in the level of drug-related violence in Mexico, specifically between the Arellano-Felix and Carrillo-Fuentes rival organizational elements. During this time period, particularly since late 1999, several significant executions have taken place in Tijuana, Baja California; San Luis Rio Colorado, Sonora; Culiacan and Mazatlan, Sinaloa; and Guadalajara, Jalisco. From late 1999 to early 2000, the targets of assassination have had increasingly higher

profiles, as evidenced by the brutal execution in April 2000 of Jose Luis Patino Moreno, Director General for the FEADS Public Ministry, who had been tasked with targeting the AFO, and two of his colleagues outside Tijuana. The increased violence can be attributed in part to the AFOs attempt to expand its area of influence into territories controlled by CFO elements while maintaining dominance of the Tijuana corridor.

TREATIES & CONVENTIONS

Mexico has bilateral narcotics accords with 21 countries and is a party to the 1988 UN Convention. Mexico also is a party to the 1961 UN Single Convention on Narcotic Drugs and its 1972 Protocol, and the 1971 UN Convention on Psychotropic Substances. Mexico also signed the Organization of American States Declaration and Program of Action of Ixtapa, which commits signatories to enact comprehensive antidrug programs, including money laundering and chemical controls.

The U.S.–Mexican extradition treaty dates from 1978. The Mexican Government's policy is not to extradite its nationals, and extradition proceedings generally are slow. During the past year, some progress has been achieved in procedures issued involving extradition. In February 1999, the first Mexican national was extradited to the United States for major drug offenses. Also in November 1998, a Mexican national was extradited to the United States to face charges for the murder of a U.S. law enforcement officer and for drug trafficking.

DRUG ABUSE

Illicit substances continue to be available for sale and consumption in Mexico. Marijuana is the most abused drug in Mexico followed by inhalants, pharmaceutical drugs, and methamphetamine according to the GOM. The highest incidence of teenage use of marijuana occurs in the cities of Tijuana, Ciudad Juarez, Guadalajara, and Mexico City. Drug abuse and associated street crime in towns located near the Southwest border has increased over the past few years, especially in Baja California.

A national household drug survey conducted in Mexico in 1998 indicated a 40-percent increase in the abuse of drugs over the past 5 years. The study also indicated that approximately 2.5 million Mexicans, or 5.3 percent of the urban population, used illegal drugs at least once in their lives, and over 500,000, or 1.23 percent of the urban population, used illegal drugs in the past year. Furthermore, cocaine abuse in Mexico tripled between 1993 and 1998, and the abuse of other drugs increased about 30 percent.

The GOM has recently elevated the issue of drug abuse by appointing Ernesto Enriquez-Rubio as Mexico's drug "czar" for demand reduction. Mr. Enriquez heads the National Council on Drug Addiction, which has been raised to a subsecretariat position under the Secretary of Health. The Council has been vocal in the media and public seminars, highlighting the fact that drug transit countries also face increasing drug abuse problems. The Council is expected to spearhead nationwide efforts for research, treatment, and drug prevention education.

This report was prepared by the Mexico/Central America Unit of the Office of International Enforcement Support. Comments and requests for copies are welcome and may be directed to the Intelligence Production Unit, Intelligence Division, DEA Headquarters, at (202) 307-8726.